



COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE
DEPARTMENT OF PUBLIC WORKS
RATH BUILDING, ROOM 1400

JOHN C. LOFFREDO, P.E.
COMMISSIONER

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January 29, 2014

RE: Erie County Utilities Aggregation

Dear Members,

Over the past few days electricity pricing in New York State (and throughout the entire Northeast) has settled at unprecedented levels. (See attached plot of hourly Day-Ahead Market prices for 1/1/14 to date). Additional charting can be viewed on our website @ <http://trends.fluentenergy.com/electricity/pricing/energyMarket>.

Average prices since January 21st have averaged over \$250/MWh (\$0.25/kWh). We are anticipating that January's average price could be well over \$120/MWh or \$0.12/kWh. This is before adding in capacity, ancillaries and losses. February's average rate is currently trading around \$78/MWh. March pricing going forward is normal.

The short explanation has to do with the extreme cold gripping the Northeast. Record demand for natural gas has caused major pipeline constraints, driving spot gas prices to over \$100/Dth at several points (typical gas prices would be in \$4/Dth range). Due to the structure of the electricity markets, natural gas generators tend to set the clearing prices. It is also likely that there are some generators forced out due to inability to obtain fuel.

Unfortunately, the cold weather will likely persist through next week. We are expecting most January electric invoices with end dates after 1/21 will be 2-3x higher than normal. February's invoices will also be exceptionally high.

Sincerely yours,

John C. Loffredo, PE
Erie County Commissioner of Public Works

Handwritten note: I have 10/14

NYISO Zone A (West) Hourly DA/RT (1/1 - 1/23)

